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Interview

STEVE MORROW

President and CEO of Insitu

Steve Morrow knows he has big shoes to fill in replacing Steve Sliwa, the founding CEO of Insitu.

Sliwa, who retired in April, famously converted a remote-controlled aircraft meant for spotting tuna into a catapult-launched aircraft for troops in Iraq and Afghanistan and sailors off the Horn of Africa. Morrow, assigned to Insitu by parent company Boeing, must guide the 800-person company through major changes designed to improve efficiency and broaden Insitu's customer base beyond operating ScanEagle planes for the U.S. Navy and Marine Corps.

Today, Insitu assembles its aircraft in a warehouse in Stevenson, Wash., tests them at an airstrip in Arlington, Ore., and manages its business at its headquarters in Bingen, Wash. Morrow will oversee the selection of a site for a new, consolidated campus in the Columbia River Gorge.

While the consolidation is underway, strategists will be busy turning the company's revenue model on its head. Today, Insitu makes most of its money by stationing field representatives on U.S. Navy ships or with Marines and delivering video to them as a pay service. In the new model, Insitu will sell aircraft to customers and make the service agreements a minority of its business. With U.S. defense spending slated to come down, the company wants to boost exports, and it is touting new applications, from tracking whales and other wildlife to flights for police departments and firefighters.

Q. You headed Boeing's standoff strike unit. How does that background help you at Insitu?

A. A couple ways. One is general business management. I was in charge of profit and loss for a significant weapons program in Boeing, and that translates pretty well to Insitu. There's also a lot of synergy between the weapons business and UAVs. Cruise missiles, which I worked on in standoff strike, are just UAVs that don't come back. So there's a lot of technical synergies there that turn out to be fortuitous for my job here.

Q. Does your weapons background imply that there's some thought to carrying weapons on Integrator or some future unmanned plane?

A. There's no connection between my background in weapons and what we may do in the future with [unmanned aircraft systems].

Q. Some of these precision weapons are pretty small. Would the company consider weaponizing Integrator?

A. Right now, our focus is the ISR business. We're all about providing the intelligence that keeps our guys safe in field, and that's what our focus is. Should the customer want to go there in the future, and there's a business case to be made, we'll respond to that.

Q. Why does Insitu want to get into the business of selling aircraft rather than strictly flying them for customers?

A. It's not what we want, it's what

our customers want. We've capitalized on the ISR services business since the Afghan and Iraq wars quite well, and driven a lot of revenue with it. STUAS [the Navy's Small Tactical Unmanned Aerial System program] is more the traditional acquisition approach from the Navy, where they buy hardware and software and they own the system and they operate the system. So that's their choice. The opportunity was there, we capitalized on it and won, so we're in that business. It is a different business model for us. We need to be more process-focused than we were in the past because we have to convince the customer that we can continuously deliver quality hardware and software to them.

Q. When you're providing a service, you don't have the customer defining what the aircraft should look like. Have you had change orders from the Navy for Integrator?

A. So far, in STUAS, we've not seen any instability in requirements, although the requirements now are different. They are requirements for the air vehicle itself, requirements of endurance and things like that. So it is different. Integrator does have the ability to have a modular payload, so we can accept anyone else's payload. We've defined an interface. That was the Navy's way of instilling an open architecture, trying to capture some of the same utility that we enjoyed in the services model.

Q. What's your vision for the company?

A. I think we have to expand our portfolio in general as the requirements in Iraq and Afghanistan come down, and they will. OCO [overseas contingency operations] funding will eventually go away, and we'll be in a more traditional appropriations environment. We're going to have to replace that business with something, and our approach is to expand in the international and commercial markets. We have ScanEagle; we have Integrator; we have ground command-and-control systems. What's past those platforms is some of the territory that we're exploring.

Q. Could you envision getting into the medium-altitude class aircraft, like the Predator size?

A. I don't think that's on the horizon, but again, we're all about analyzing the market in a constant way. My hope would be that those capabilities represented by the larger UAS market may migrate toward us as we are able to integrate better payloads. We would be able to provide those same services cheaper.

Q. What do you mean by "commercial services"?

A. Commercial applications in controlled airspace — things like pipeline surveillance, policing work, firefighting.

Q. Where do you see most of the demand? Will it be for aircraft like Integrator or things more like your 5-pound Inceptor helicopter?

A. I think we've barely scratched the surface. Certainly with [Inceptor], that's our toe in the water to find out if there's a very short-range, short-endurance requirement there. I think it's too early to tell.

Q. What's the market you see for Inceptor?

A. We see it as ideal for just about every public safety application you can imagine — law enforcement, wild lands patrol, firefighting, search and rescue. We think the application is something that the user can launch with a single person and get immediate aerial imagery to get decision-making information.

Q. How do you expand your business and make these changes with a unified campus without ruining the culture of innovation there at Insitu?

A. I don't think the two are connected — the facilities and innovation. There's an argument to be made that, if I get all the innova-



COLIN KELLY/STAFF

INSITU

COMPANY PROFILE

Founded: 1994; owned by Boeing since 2008.

Headquarters: Bingen, Wash.

Employees: 800

Products: Include ScanEagle and Inceptor UAVs, ISR services.

Source: Defense News research

tive people in one place, we can even be more productive than we are today. That's one of the reasons we're trying to consolidate, to improve the efficiency, communications and collaboration within the company. How do we keep the culture alive as we grow? My philosophy is that's always a function of leadership. The size of a company is not an independent variable in the equation of being innovative. If you're larger, it just takes a different type of innovation. I don't think anybody would accuse the 787 [airliner] guys at Boeing of not being innovative. There's significant innovation occurring there, especially on the manufacturing side, and they're a very large organization. NASA of the '60s and '70s was a very large organization, and extremely innovative. As you transition and grow, there's a challenge to maintain the collaboration and communication, but that's just a function of leadership.

Q. What does your marketing agreement with iRobot in Australia mean for Insitu?

A. There's a lot of advantage and synergy in teaming with other companies that have robotic products that are not in your market space but are closely adjacent. iRobot is mostly ground robots.

Q. They want to sell more robots in Australia?

A. That's specifically the objective of teaming with us, so they can expand their market space.

Q. Wouldn't a parochially minded person think: I've got this great business network in Australia. Why would I want to share?

A. You're right, it's all about relationships. We have a lot of relationships with the defense forces and the acquisition community. We're providing them access with our customers and contacts, but they're not competing with our products directly. So, later on, we can team in those market places

and collaborate to both of our advantages.

Q. Meaning, someday a customer could have ground robots and an Insitu aircraft operating in tandem.

A. Sure. Remember that the business that Insitu is in is not ScanEagle. It's not the air vehicle. We're in the ISR business. That's a very wide market space. Right now, we provide small unmanned air vehicles as part of our system. Later on, we might expand that thinking.

Q. Do you plan to stop making ScanEagles now that you've got Integrator?

A. No. We build 20 to 30 a month depending on demand. We just hit our 500,000 combat flight hours here a few weeks ago. Demand is good, and we don't intend to stop making ScanEagles.

Q. How much of Insitu's business do you expect to revolve around exports?

A. We're trying to expand into the international market. Our plans to do that [include] FMS [foreign military sales] of the systems that the U.S. operates now, Integrator being an example, but also direct commercial sales. We're looking for a healthy balance between the two. Our plan is to be fairly flexible there, and expand as robustly as we can on the international market.

Q. Is that through sales or services?

A. Both, actually, back to the customer need. If a customer needs services and would rather not own the system, we'll sell services. If the customer wants to own and operate the services, we'll train his folks and sell systems that he can operate.

We are about 80 percent services now. We think a healthy-mix business model is if we were about a third, but we're not going to get out of the service business. □

By **Ben Iannotta**, editor of C4ISR Journal, where this interview was first published.